

Colorado Legislative Council Staff Fiscal Note

LOCAL

CONDITIONAL FISCAL IMPACT

Drafting Number: LLS 11-0804

Date: March 14, 2011

Prime Sponsor(s): Sen. Newell

Bill Status: Senate Local Government

Fiscal Analyst: Fiona Sigalla (303-866-3556)

TITLE: CONCERNING THE MANNER IN WHICH A STATUTORY LOCAL GOVERNMENT MAY ADOPT A SALES TAX EXEMPTION.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
State Expenditures		
FTE Position Change		
Effective Date: August 10, 2011, if the General Assembly adjourns on May 11, 2011, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2011-2012: None.		
Local Government Impact: Potential revenue and expenditure reduction		

Summary of Legislation

This bill expands the means by which a statutory local government (town, city, or county) may adopt a sales tax exemption. Under current law, statutory local governments may only adopt some state sales tax exemptions using the same manner by which the original ordinance was enacted. All existing ordinances were adopted by election. This bill would allow adoption of certain sales tax exemptions without an election.

Under current law, the sales tax exemptions for the sale of the following items would be affected by this bill:

- Machinery or machine tools;
- Electricity, coal, wood, gas, fuel oil, or coke;
- Food;
- Vending machine sales of food;
- Sales by a charitable organization;
- Farm equipment and farm equipment under lease or contract;
- Low-emitting motor vehicles, power sources, or parts used for converting such power sources;
- Pesticides;
- Wood from salvaged trees killed or infested in Colorado by mountain pine beetles;
- Components used in the production of energy from a renewable energy source;

- Sales that benefit a Colorado school; and
- Sales by an association or organization of parents and teachers of public school students that is a charitable organization.

Local Government Impact

The bill allows statutory towns, cities, and counties to exempt from local sales and use taxes the same items that are exempt from state sales and use tax without holding an election. It will reduce election costs and sales tax revenue for local governments that choose to not hold an election to adopt certain sales tax exemptions. The reductions will vary by locality.

Departmental Differences

It is the position of the Department of Revenue that additional funds will be necessary to produce up to 10 additional revisions to the form that lists sales tax rates and exemptions of statutory cities, counties, and special districts. The department states that it would require \$6,642 in FY 2011-12 and \$8,390 in FY 2012-13 for 0.2 FTE to review changes and make sure the form is correct. The fiscal note assumes that the cost of revisions can be absorbed within current resources; therefore, these costs are not included in the fiscal note.

Departments Contacted

Law
Local Affairs

Colorado Municipal League
Revenue

Colorado Counties